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ACADIA-ST. LANDRY HOSPITAL
SERVICE DISTRICT
FINANCIAL REPORT
JUNE 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-8-06

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Acadia-St. Landry Hospital Service District
Church Point, Louisiana

We have audited the accompanying basic financial statements of Acadia-St. Landry Hospital Service District, a component unit of the Acadia Parish Police Jury, as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Acadia-St. Landry Hospital Service District as of June 30, 2005 and 2004, and the results of its operations, and cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

The Hospital Service District has not presented management's discussion and analysis that accounting principals in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purposes of forming opinions on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2005, on our consideration of Acadia-St. Landry Hospital Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Broussard, Poché, Lewis & Breaux, L.L.P.

Crowley, Louisiana
December 5, 2005

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

BALANCE SHEETS
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,215,212	\$ 1,075,999
Patient accounts receivable, net of estimated uncollectibles of \$434,995 and \$516,920 for 2005 and 2004, respectively	751,362	1,053,768
Inventories	124,892	97,993
Prepaid expenses	30,607	35,565
Estimated third-party payor settlements	378,870	157,627
Other receivables	<u>44,998</u>	<u>57,448</u>
Total current assets	\$ 2,545,941	\$ 2,478,400
CAPITAL ASSETS		
Property, plant, and equipment, at cost, less accumulated depreciation of \$3,045,280 and \$2,911,668, for 2005 and 2004, respectively	1,531,822	1,670,821
OTHER ASSETS		
Investment in joint venture	<u>69,478</u>	<u>64,242</u>
Total assets	<u>\$ 4,147,241</u>	<u>\$ 4,213,463</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 470,870	\$ 673,630
Accrued expenses	96,726	86,872
Capital lease payable - current	<u>9,154</u>	<u>9,238</u>
Total current liabilities	\$ 576,750	\$ 769,740
LONG-TERM LIABILITIES		
Capital lease payable	<u>4,170</u>	<u>13,324</u>
Total liabilities	<u>\$ 580,920</u>	<u>\$ 783,064</u>
NET ASSETS		
Invested in capital assets net of related debt	\$ 1,518,498	\$ 1,648,259
Unrestricted	<u>2,047,823</u>	<u>1,782,140</u>
Total net assets	<u>\$ 3,566,321</u>	<u>\$ 3,430,399</u>
Total liabilities and net assets	<u>\$ 4,147,241</u>	<u>\$ 4,213,463</u>

See Notes to Financial Statements.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Net patient service revenues	\$ 6,716,771	\$ 6,576,628
Other operating revenues	<u>69,170</u>	<u>106,360</u>
Total operating revenues	<u>\$ 6,785,941</u>	<u>\$ 6,682,988</u>
Operating expenses:		
Salaries and wages	\$ 1,652,170	\$ 1,757,458
Professional services	603,106	610,399
Other departmental expenses	4,139,832	4,190,450
Depreciation and amortization	163,362	188,370
Provision for uncollectible accounts	<u>535,617</u>	<u>507,784</u>
Total operating expenses	<u>\$ 7,094,087</u>	<u>\$ 7,254,461</u>
Operating loss	<u>\$ (308,146)</u>	<u>\$ (571,473)</u>
Non-operating revenues (expenses):		
Ad valorem taxes	\$ 176,450	\$ 166,866
Loss on disposal of capital assets	(10,203)	-
Interest expense	(1,910)	(2,528)
Investment income	4,817	6,606
Net income from joint venture	244,482	304,661
Noncapital grants and contributions	<u>30,432</u>	<u>22,700</u>
Total non-operating revenues (expenses)	<u>\$ 444,068</u>	<u>\$ 498,305</u>
Increase (decrease) in net assets	\$ 135,922	\$ (73,168)
Net assets beginning of year	<u>3,430,399</u>	<u>3,503,567</u>
Net assets end of year	<u>\$ 3,566,321</u>	<u>\$ 3,430,399</u>

See Notes to Financial Statements.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients	\$ 6,262,317	\$ 6,104,045
Payments to suppliers and contractors	(4,967,635)	(4,914,537)
Payments to employees	(1,642,318)	(1,842,435)
Other receipts and payments, net	81,618	87,548
Net cash used by operating activities	\$ (266,018)	\$ (565,379)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	\$ 176,450	\$ 166,866
Noncapital grants and donations	30,432	22,700
Net cash provided by noncapital financing activities	\$ 206,882	\$ 189,566
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on capital lease obligations	\$ (1,910)	\$ (2,528)
Principal payments under capital lease obligations	(9,238)	(17,387)
Proceeds from the sale of capital assets	1,138	-
Payments for the purchase of property and equipment	(35,704)	(53,114)
Net cash used by capital and related financing activities	\$ (45,714)	\$ (73,029)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	\$ 4,817	\$ 6,606
Investment in Joint Venture	239,246	321,185
Redemption of certificates of deposit	-	918,891
Net cash provided by investing activities	\$ 244,063	\$ 1,246,682
Net increase in cash and cash equivalents	\$ 139,213	\$ 797,840
Cash and cash equivalents at beginning of year	1,075,999	278,159
Cash and cash equivalents at end of year	\$ 1,215,212	\$ 1,075,999

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (308,146)	\$ (571,473)
Adjustments to reconcile operating income to net cash flows used in operating activities:		
Depreciation and amortization	163,362	188,370
Provisions for bad debts	535,617	507,784
(Increase) decrease in assets:		
Patient accounts receivable	(233,211)	(842,059)
Inventories	(26,899)	(1,181)
Prepaid expenses	4,958	(8,055)
Estimated third-party payor settlements	(221,243)	369,476
Other receivables	12,450	(18,812)
Increase (decrease) in liabilities:		
Accounts payable	(202,760)	(104,451)
Accrued expenses	<u>9,854</u>	<u>(84,978)</u>
Net cash used in operating activities	<u>\$ (266,018)</u>	<u>\$ (565,379)</u>

See Notes to Financial Statements.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Reporting Entity:

Acadia-St. Landry Hospital Service District (the "Hospital Service District") was established in 1967, by the Acadia and St. Landry Parish Police Juries, by virtue of the authority of Louisiana Revised Statutes (R.S.) 46:1051 et seq. The purpose of the Hospital Service District is to provide health services to Acadia and St. Landry parishes. The Board of Commissioners is appointed by the Acadia and St. Landry Parish Police Juries.

As the governing authority of the Parish, for reporting purposes, the Acadia Parish Police Jury is the financial reporting entity for the Hospital Service District. Accordingly, the Hospital Service District was determined to be a component unit of the Acadia Parish Police Jury based on GASB Statement No. 14, *The Financial Reporting Entity*. The accompanying financial statements present only the Hospital Service District.

On November 1, 2004, the Hospital Service District converted from an Acute Inpatient Prospective Payment System (IPPS) Hospital to a Critical Access Hospital (CAH). This conversion significantly changed the way the Hospital is being reimbursed for Medicare patients. Under the previous Medicare payment methodology, the Hospital was being paid on a Prospective Payment System (PPS). Under the CAH Medicare payment methodology, the Hospital is paid 101% of its reasonable costs for Medicare purposes, except for Inpatient Psychiatric services which is paid based on 100% of reasonable cost, subject to various limits and rules

Basis of Accounting:

The accompanying basic financial statements of the Hospital Service District have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. GASB 34 established standards for external financial reporting for all state and local governmental entities, which included a balance sheet or statement of net assets, a statement of revenues, expenditures and changes in net assets, and a statement of cash flows utilizing the direct method of presentation. The statement requires the classification of net assets into four components-invested in capital assets, net of related debt; restricted expendable net assets; restricted nonexpendable net assets; and unrestricted net assets. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are non-capital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital Service District. *Restricted nonexpendable net assets* equal the principal portion of permanent endowments. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt* or *restricted*. These and other changes are reflected in the accompanying basic financial statements (including the notes to the financial statements).

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies (Continued)

Other Significant Accounting Policies

Enterprise fund accounting:

The Hospital Service District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital Service District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

For purposes of reporting cash flows, the Hospital Service District considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Trade receivables and allowance for uncollectible accounts:

Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written-off when deemed uncollectible. Recoveries of trade receivables previously written-off are recorded when received.

Inventories:

Inventories are valued at the latest invoice price which approximates the lower of cost (first-in, first-out method) or market.

Net patient service revenues:

The Hospital Service District has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies (Continued)

Property, plant, and equipment:

The Hospital Service District records all property, plant and equipment acquisitions at cost, except for assets donated to the Hospital Service District. Donated assets are recorded at fair market value at the date of donation.

The Hospital Service District provides for depreciation of its plant and equipment using the straight-line method over the estimated useful lives of each class of depreciable assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation expense in the financial statements. The following estimated useful lives are generally used:

Building and improvements	15 – 50 years
Equipment	3 – 20 years

Grants and donations:

Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

Operating revenues and expenses:

The Hospital Service District's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services-the District's principal activity. Non-exchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Income taxes:

The Hospital Service District is a political subdivision and exempt from taxes.

Advertising:

The Hospital Service District expenses advertising cost as incurred. Advertising expense for the years ended June 30, 2005 and 2004, totaled \$8,713 and \$9,448, respectively.

Risk management:

The Hospital Service District is exposed to various risks of loss from tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health. Commercial insurance coverage is purchased for claims arising from such matters.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies (Continued)

Restricted resources:

When the Hospital Service District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

Environmental matters:

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at this time, management is not aware of any environmental matters which need to be considered.

Reclassifications:

To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets.

Note 2. Net Patient Service Revenues

The Hospital Service District has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare** – For the period July 1, 2003 to October 31, 2004, the Hospital Service District operated as an *Inpatient Acute Care Prospective Payment System (PPS) Hospital with a Distinct Part Psychiatric Unit*. While operating as a PPS Hospital, inpatient acute care services (and related capital costs) and swing bed services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. Acute care service rates varied according to a patient classification system that was based on clinical, diagnostic, and other factors. Inpatient psychiatric services and certain outpatient services related to Medicare beneficiaries were paid based on a cost reimbursement methodology subject to certain limits, while other outpatient services were reimbursed on a fee schedule.

On November 1, 2004, the Hospital Service District converted to a Critical Access Hospital (CAH) with a Distinct Part Psychiatric Unit. Inpatient acute care services and swing bed services rendered to Medicare program beneficiaries are reimbursed at cost plus 1%. Outpatient services are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. Inpatient Psychiatric services are reimbursed on a cost reimbursement methodology subject to certain limitations.

The Hospital Service District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital Service District's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2002.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Net Patient Service Revenues (continued)

- **Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits; while other outpatient services are reimbursed on a fee schedule. The Hospital Service District is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital Service District and audits thereof by the Medicaid fiscal intermediary. The Hospital Service District's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through June 30, 2002.

The Hospital Service District received disproportionate share payments for uncompensated care cost of approximately \$6,207,058, from fiscal year 1996 through 2005. These payments were based on estimated uncompensated care cost and are subject to audit and settlement. As of June 30, 2005, management has estimated a reserve liability for the possible recoupment of these disproportionate share payments, in the amount of \$82,562. To the extent management's estimate differs from actual results, the differences will be used to adjust income for the period when such differences arise.

During the years ended June 30, 2005 and 2004, approximately 88.32% and 86.84%, respectively, of the Hospital Service District's gross patient service revenues were furnished to Medicare and Medicaid beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. As a result of retroactive adjustments of certain prior year cost reports, the Hospital Service District recorded changes in estimates resulting in an increase in net patient service revenues of approximately \$14,174 and \$0 during the years ending June 30, 2005 and 2004, respectively.

The Hospital Service District has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital Service District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates.

Note 3. Bank Deposits and Investments

The Hospital Service District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by Federal Deposit Insurance Corporation (FDIC) or pledge of securities, and government backed mutual or trust funds.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Hospital Service District's deposits may not be returned to it. The Hospital Service District does not have a deposit policy for custodial credit risk. As of June 30, 2005, the Hospital Service District's bank balances of \$1,318,398 were not exposed to credit risk. These deposits are secured from risk by \$149,537 of FDIC coverage and \$1,168,861 was covered by collateral held by the Hospital Service District's agent in the Hospital Service District's name.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 4. Accounts Receivable

Patient accounts receivable reported as current assets by the Hospital Service District at June 30, 2005 and 2004 consisted of these amounts:

<u>Patient Accounts Receivable</u>	<u>2005</u>	<u>2004</u>
Receivable from patients and their insurance carriers	\$ 495,923	\$ 489,939
Receivable from Medicare	451,562	660,116
Receivable from Medicaid	<u>238,872</u>	<u>420,633</u>
Total patient accounts receivable	\$ 1,186,357	\$ 1,570,688
Less allowance for uncollectible amounts	<u>(434,995)</u>	<u>(516,920)</u>
Patient accounts receivable, net	<u>\$ 751,362</u>	<u>\$ 1,053,768</u>

Note 5. Ad Valorem Taxes

In April 2002, the taxpayers of the Hospital Service District approved a 7.67 mill tax for a ten year period which will end in 2012. The District levied 7.35 and 7.34 mills for the fiscal years ended 2005 and 2004, respectively.

The Hospital Service District's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year, at which time the Hospital Service District records the tax revenue, and become a lien in the following March. The collection period for the Hospital Service District's property taxes is from December (at which time they become delinquent) to the succeeding May.

Note 6. Concentrations of Credit Risk

The Hospital Service District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2005 and 2004, was as follows:

	<u>2005</u>		<u>2004</u>
Medicare	38.1 %	41.9 %	
Medicaid	20.1 %	26.7 %	
Other third-party payors	17.5 %	21.6 %	
Patients	<u>24.3 %</u>	<u>9.8 %</u>	
	<u>100.0 %</u>	<u>100.0 %</u>	

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets

Capital asset additions, retirements, and balances for the years ended June 30, 2005 and 2004 were as follows:

	June 30, 2004	Additions	Retirements	June 30, 2005
Land	\$ 120,025	\$ -	\$ -	\$ 120,025
Land improvements	37,482	-	-	37,482
Buildings and improvements	2,649,892	-	-	2,649,892
Equipment	1,775,090	35,704	(41,091)	1,769,703
Total historical cost	<u>\$ 4,582,489</u>	<u>\$ 35,704</u>	<u>\$ (41,091)</u>	<u>\$ 4,577,102</u>
Less accumulated depreciation for:				
Land improvements	\$ (36,344)	\$ (1,139)	\$ -	\$ (37,483)
Buildings and improvements	(1,389,100)	(70,942)	-	(1,460,042)
Equipment	(1,486,224)	(91,281)	29,750	(1,547,755)
Total accumulated depreciation	<u>\$ (2,911,668)</u>	<u>\$ (163,362)</u>	<u>\$ 29,750</u>	<u>\$ (3,045,280)</u>
Capital assets, net	<u>\$ 1,670,821</u>	<u>\$ (127,658)</u>	<u>\$ (11,341)</u>	<u>\$ 1,531,822</u>

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Land	\$ 120,025	\$ -	\$ -	\$ 120,025
Land improvements	37,482	-	-	37,482
Buildings and improvements	2,649,892	-	-	2,649,892
Equipment	1,721,976	53,114	-	1,775,090
Total historical cost	<u>\$ 4,529,375</u>	<u>\$ 53,114</u>	<u>\$ -</u>	<u>\$ 4,582,489</u>
Less accumulated depreciation for:				
Land improvements	\$ (34,609)	\$ (1,735)	\$ -	\$ (36,344)
Buildings and improvements	(1,312,371)	(76,729)	-	(1,389,100)
Equipment	(1,376,318)	(109,906)	-	(1,486,224)
Total accumulated depreciation	<u>\$ (2,723,298)</u>	<u>\$ (188,370)</u>	<u>\$ -</u>	<u>\$ (2,911,668)</u>
Capital assets, net	<u>\$ 1,806,077</u>	<u>\$ (135,256)</u>	<u>\$ -</u>	<u>\$ 1,670,821</u>

Depreciation expense for the years ended June 30, 2005 and 2004 amounted to \$163,362 and \$188,370, respectively. Accumulated amortization for equipment under capital lease obligations was \$8,202 and \$8,201 at June 30, 2005 and 2004, respectively.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Compensated Absences

Full-time employees accrue four (4) hours of paid time off (PTO) per pay period, while part-time employees accrue PTO at a rate of four (4) percent of total hours worked per pay period. Employees may accumulate PTO hours to a maximum of 200 hours. When the employee reaches the maximum, further accumulation is ceased until PTO time is used; there is no cash option associated with this maximum bank. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital Service District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

Accrued compensated absences, which are included in accrued expenses, at June 30, 2005 and 2004, totaled \$59,301 and \$55,471, respectively.

Note 9. Long-term liabilities

A schedule of changes in the Hospital Service District's non-current liabilities for 2005 and 2004 follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due Within One Year
Capital lease obligations:					
IBM AS400	\$ 11,320	\$ -	\$ (5,072)	\$ 6,248	\$ 5,332
Medical Records Copier	7,209	-	(1,809)	5,400	2,146
Psychiatric Unit Copier	4,033	-	(2,357)	1,676	1,676
	<u>\$ 22,562</u>	<u>\$ -</u>	<u>\$ (9,238)</u>	<u>\$ 13,324</u>	<u>\$ 9,154</u>
	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
Capital lease obligations:					
IBM AS400	\$ 16,535	\$ -	\$ (5,215)	\$ 11,320	\$ 5,072
Medical Records Copier	8,733	-	(1,524)	7,209	1,809
Psychiatric Unit Copier	6,213	-	(2,180)	4,033	2,357
Laboratory Clinical Software	2,507	-	(2,507)	-	-
Stress Test Machine	5,961	-	(5,961)	-	-
	<u>\$ 39,949</u>	<u>\$ -</u>	<u>\$ (17,387)</u>	<u>\$ 22,562</u>	<u>\$ 9,238</u>

Capital lease obligations are at varying rates of interest from 4.97% to 17.24% collateralized by leased equipment with cost of \$41,007.

Scheduled principal and interest repayments on capital lease obligations are as follows:

Years Ending June 30,	Principal	Interest
2006	\$ 9,154	\$ 1,008
2007	3,462	372
2008	708	20
Total	<u>\$ 13,324</u>	<u>\$ 1,400</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Operating Leases

The Hospital Service District leases various equipment under operating leases expiring at various dates through 2010. Total rental expense for the years ended June 30, 2005 and 2004, for all operating leases was approximately \$269,948 and \$234,851, respectively.

The following is a schedule by year of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

Years Ending <u>June 30,</u>	<u>Amount</u>
2006	\$ 186,641
2007	169,973
2008	169,902
2009	155,322
2010	15,110
Total	<u>\$ 696,948</u>

Note 11. Estimated Third-Party Settlements

The following is a schedule of estimated third-party payor settlements (payable) receivable:

June 30, 2005:

<u>Cost Report Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Total</u>
2002	\$ 17,459	\$ -	\$ 17,459
2003	2,621	-	2,621
2004	(14,829)	-	(14,829)
2005	408,814	(35,195)	373,619
Totals	<u>\$ 414,065</u>	<u>\$ (35,195)</u>	<u>\$ 378,870</u>

June 30, 2004:

<u>Cost Report Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Total</u>
2003	\$ 2,621	\$ -	\$ 2,621
2004	201,784	(46,778)	155,006
Totals	<u>\$ 204,405</u>	<u>\$ (46,778)</u>	<u>\$ 157,627</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Joint Venture

In July 1999, the Hospital Service District entered into a joint venture with Acadian Homecare, Inc., to form Acadia-St. Landry Hospital Home Health, L.L.P. in order to provide home health services to the patients of the Hospital Service District. The agreement provided that the Hospital Service District was to have a 50% participation in the joint venture for the period July 2003 to September 30, 2003. Effective October 1, 2003, the Hospital renegotiated the contract with Acadian Homecare, Inc. whereby the 50% participation was reduced to a 33% participation. The Hospital Service District's equity interest in the joint venture was \$69,478 and \$64,242 at June 30, 2005 and 2004, respectively. The Hospital Service District recognized revenue related to the joint venture in the amount of \$244,482 and \$304,661 in 2005 and 2004, respectively. The Hospital Service District leased office space, furniture, fixtures, and equipment to the joint venture for \$31,260, in 2005 and 2004. Complete financial statements for the joint venture can be obtained upon request.

Note 13. Professional and General Liability Risk

The Hospital Service District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the Patient's Compensation Fund's exposure to \$400,000 per occurrence.

The Hospital Service District has acquired additional coverage for professional medical malpractice and general liability through the Louisiana Hospital Association Trust Fund by purchasing a claims-made policy. Losses on medical malpractice and general liability claims are estimated based on deductibles and claims in excess of per-claim or aggregate coverage and incurred but not reported during the claim year. These estimates reflect the Hospital Service District's best estimates of the ultimate costs of reported and unreported claims, using the District's past experience, industry experience and identified asserted claims and reported incidents. No provision for losses on medical malpractice and general liability claims are recorded based on management's estimates that these matters will be resolved without material adverse effect on the Hospital Service District's future financial position or results from operations.

Note 14. Contingencies

The Hospital Service District evaluates contingencies based upon the best available evidence. The Hospital Service District believes that no loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital Service District's estimates, future earnings will be charged or credited.

The principle contingencies are described below:

Third-Party Government Revenues (Note 2) – Cost reimbursements are subject to examination by agencies administering the programs. The Hospital Service District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Contingencies (continued)

concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital Service District is in compliance with fraud and abuse statutes as well as other applicable governmental laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Litigation and Other Matters - The Hospital Service District is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations.

SUPPLEMENTARY INFORMATION

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULES OF PATIENT SERVICE REVENUES

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Gross patient direct services	\$ <u>8,769,744</u>	\$ <u>9,065,194</u>
Less:		
Contractual allowances	\$ (1,847,266)	\$ (2,251,382)
Discounts	<u>(205,707)</u>	<u>(237,184)</u>
Total contractual allowances and discounts	\$ <u>(2,052,973)</u>	\$ <u>(2,488,566)</u>
Net patient service revenues	\$ <u>6,716,771</u>	\$ <u>6,576,628</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULES OF OTHER OPERATING REVENUES

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cafeteria	\$ 862	\$ 444
Vending machine commissions	3,482	3,095
Rent income	51,728	55,794
Community care revenues	5,400	38,091
Miscellaneous	<u>7,698</u>	<u>8,936</u>
Total other operating revenues	<u>\$ 69,170</u>	<u>\$ 106,360</u>

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ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULES OF OPERATING REVENUES AND EXPENSES

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Direct operating revenues	\$ 8,769,744	\$ 9,065,194
Direct operating expenses	<u>4,780,970</u>	<u>4,968,463</u>
Excess of direct operating revenues over direct operating expenses	\$ 3,988,774	\$ 4,096,731
Contractual allowances and discounts	<u>2,052,973</u>	<u>2,488,566</u>
Net excess of direct operating revenues over direct operating expenses	\$ <u>1,935,801</u>	\$ <u>1,608,165</u>
General operating expenses:		
General services	\$ 532,438	\$ 504,751
Financial and administrative services	<u>1,081,700</u>	<u>1,085,093</u>
Total general operating expenses	\$ <u>1,614,138</u>	\$ <u>1,589,844</u>
Other operating revenues	<u>\$ 69,170</u>	<u>\$ 106,360</u>
Other operating expenses:		
Depreciation and amortization	\$ 163,362	\$ 188,370
Provision for uncollectible accounts	<u>535,617</u>	<u>507,784</u>
Total other operating expenses	\$ <u>698,979</u>	\$ <u>696,154</u>
Deficiency of operating revenues over operating expenses	\$ <u>(308,146)</u>	\$ <u>(571,473)</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULES OF DEPARTMENTAL DIRECT
OPERATING REVENUES AND EXPENSES
Years Ended June 30, 2005 and 2004

	Inpatient Revenues		Outpatient Revenues	
	2005	2004	2005	2004
Direct services:				
Anesthesiology	\$ -	\$ 1,300	\$ 220	\$ 9,219
Central Supply	345,635	314,966	67,825	97,244
CT Scan	78,645	113,823	337,999	337,667
Daily patient services	530,400	620,885	-	-
Electrocardiology	12,140	17,150	32,900	33,540
Emergency room	12,735	14,925	237,905	192,325
Emergency room physician	9,275	4,573	329,326	268,459
Health and fitness center	-	-	-	-
Home health	-	-	-	-
Kidmed	-	-	13,241	11,811
Laboratory	280,959	276,207	755,639	721,909
Nuclear medicine	640	1,290	6,205	3,120
Occupational therapy	10,880	12,582	4,237	22,979
Operating room & Gastro	11,722	22,424	123,100	159,900
Other	-	213	1,637	1,805
Pharmacy	996,721	966,674	293,586	138,573
Physical therapy	47,975	33,328	170,020	162,014
Physician office	-	-	-	-
Psychiatric therapy group	6,760	3,270	1,403,735	1,302,740
Psychiatric unit	2,135,092	2,371,053	847	484
Radiology	39,586	42,650	164,303	192,823
Respiratory therapy	84,878	78,015	5,822	8,063
Clinic	6,937	270	39,604	303,529
Speech therapy	11,520	8,553	11,241	22,825
Stress test	320	400	4,320	7,120
Ultrasound	40,695	61,247	102,517	101,247
Total direct services	\$ 4,663,515	\$ 4,965,798	\$ 4,106,229	\$ 4,099,396

Total Direct Revenues		Direct Operating Expenses		Excess (Deficiency) of Direct Revenues Over Direct Operating Expenses	
2005	2004	2005	2004	2005	2004
\$ 220	\$ 10,519	\$ 1,380	\$ 1,465	\$ (1,160)	\$ 9,054
413,460	412,210	62,613	78,329	350,847	333,881
416,644	451,490	152,057	126,398	264,587	325,092
530,400	620,885	723,502	690,334	(193,102)	(69,449)
45,040	50,690	7,640	6,743	37,400	43,947
250,640	207,250	19,014	24,494	231,626	182,756
338,601	273,032	548,630	528,251	(210,029)	(255,219)
-	-	-	47	-	(47)
-	-	11,440	10,439	(11,440)	(10,439)
13,241	11,811	583	1,215	12,658	10,596
1,036,598	998,116	488,938	473,013	547,660	525,103
6,845	4,410	300	-	6,545	4,410
15,117	35,561	10,120	19,745	4,997	15,816
134,822	182,324	1,308	19,185	133,514	163,139
1,637	2,018	-	-	1,637	2,018
1,290,307	1,105,247	463,918	422,453	826,389	682,794
217,995	195,342	117,545	109,890	100,450	85,452
-	-	272	-	(272)	-
1,410,495	1,306,010	515,493	441,219	895,002	864,791
2,135,939	2,371,537	1,318,431	1,464,075	817,508	907,462
203,889	235,473	154,916	138,043	48,973	97,430
90,700	86,078	71,638	80,267	19,062	5,811
46,541	303,799	41,819	257,586	4,722	46,213
22,761	31,378	11,348	6,940	11,413	24,438
4,640	7,520	-	605	4,640	6,915
143,212	162,494	58,065	67,727	85,147	94,767
<u>\$ 8,769,744</u>	<u>\$ 9,065,194</u>	<u>\$ 4,780,970</u>	<u>\$ 4,968,463</u>	<u>\$ 3,988,774</u>	<u>\$ 4,096,731</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULES OF DEPARTMENTAL DIRECT
AND GENERAL OPERATING EXPENSES
Years Ended June 30, 2005 and 2004

	Salaries		Professional Fees	
	2005	2004	2005	2004
Direct services:				
Anesthesiology	\$ -	\$ -	\$ -	\$ -
Central supply	19,529	19,887	-	-
CT Scan	-	-	-	-
Daily patient services	589,944	490,563	22,500	18,000
Electrocardiology	-	-	356	424
Emergency room	-	-	-	-
Emergency room physicians	-	-	548,630	528,251
Health and fitness center	-	-	-	-
Home health	-	-	-	-
Kidmed	-	-	-	-
Laboratory	161,396	172,922	26,685	21,390
Nuclear medicine	-	-	-	-
Occupational therapy	-	-	-	-
Operating room & Gastro	-	-	-	-
Pharmacy	116,898	107,739	-	-
Physical therapy	-	-	-	-
Physician office	-	-	-	-
Psychiatric therapy group	6,544	9,148	-	-
Psychiatric unit	30,880	30,227	-	-
Radiology	109,058	100,133	-	-
Respiratory therapy	60,197	69,499	-	-
Health clinic	36,679	242,005	-	-
Speech therapy	-	-	-	-
Stress test	-	-	-	-
Ultrasound	-	-	-	-
Total direct services	\$ 1,131,125	\$ 1,242,123	\$ 598,171	\$ 568,065
General services:				
Dietary	\$ 66,053	\$ 56,308	\$ -	\$ -
Housekeeping	58,708	56,756	-	-
Laundry and linen	-	-	-	-
Plant engineering	55,132	51,595	-	-
Total general services	\$ 179,893	\$ 164,659	\$ -	\$ -
Subtotals forward	\$ 1,311,018	\$ 1,406,782	\$ 598,171	\$ 568,065

Other Expenses		Total	
2005	2004	2005	2004
\$ 1,380	\$ 1,465	\$ 1,380	\$ 1,465
43,084	58,442	62,613	78,329
152,057	126,398	152,057	126,398
111,058	181,771	723,502	690,334
7,284	6,319	7,640	6,743
19,014	24,494	19,014	24,494
-	-	548,630	528,251
-	47	-	47
11,440	10,439	11,440	10,439
583	1,215	583	1,215
300,857	278,701	488,938	473,013
300	-	300	-
10,120	19,745	10,120	19,745
1,308	19,185	1,308	19,185
347,020	314,714	463,918	422,453
117,545	109,890	117,545	109,890
272	-	272	-
508,949	432,071	515,493	441,219
1,287,551	1,433,848	1,318,431	1,464,075
45,858	37,910	154,916	138,043
11,441	10,768	71,638	80,267
5,140	15,581	41,819	257,586
11,348	6,940	11,348	6,940
-	605	-	605
58,065	67,727	58,065	67,727
<u>\$ 3,051,674</u>	<u>\$ 3,158,275</u>	<u>\$ 4,780,970</u>	<u>\$ 4,968,463</u>
\$ 85,599	\$ 78,390	\$ 151,652	\$ 134,698
17,503	17,725	76,211	74,481
26,198	25,460	26,198	25,460
<u>223,245</u>	<u>218,517</u>	<u>278,377</u>	<u>270,112</u>
<u>\$ 352,545</u>	<u>\$ 340,092</u>	<u>\$ 532,438</u>	<u>\$ 504,751</u>
<u>\$ 3,404,219</u>	<u>\$ 3,498,367</u>	<u>\$ 5,313,408</u>	<u>\$ 5,473,214</u>

(continued)

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULES OF DEPARTMENTAL DIRECT
AND GENERAL OPERATING EXPENSES
Years Ended June 30, 2005 and 2004

	Salaries		Professional Fees	
	2005	2004	2005	2004
Subtotals forwarded	\$ 1,311,018	\$ 1,406,782	\$ 598,171	\$ 568,065
Financial and administrative services:				
Accounting	\$ 28,275	\$ 27,762	\$ -	\$ -
Administration	119,034	134,429	4,935	42,334
Business office	125,221	119,125	-	-
Medical records	67,314	68,379	-	-
Payroll taxes	-	-	-	-
Employee benefits	-	-	-	-
Other general and administrative expenses	1,308	981	-	-
Total financial and administrative services	\$ 341,152	\$ 350,676	\$ 4,935	\$ 42,334
Total direct operating expenses	\$ 1,652,170	\$ 1,757,458	\$ 603,106	\$ 610,399

Other Expenses		Total	
2005	2004	2005	2004
\$ 3,404,219	\$ 3,498,367	\$ 5,313,408	\$ 5,473,214
\$ 2,803	\$ 1,927	\$ 31,078	\$ 29,689
26,065	23,856	150,034	200,619
61,343	58,435	186,564	177,560
11,489	6,541	78,803	74,920
120,783	123,998	120,783	123,998
154,152	142,362	154,152	142,362
358,978	334,964	360,286	335,945
\$ 735,613	\$ 692,083	\$ 1,081,700	\$ 1,085,093
\$ 4,139,832	\$ 4,190,450	\$ 6,395,108	\$ 6,558,307

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULES OF BOARD FEES
Years Ended June 30, 2005 and 2004

<u>Board Members</u>	<u>2005</u>	<u>2004</u>
Marilyn Scott	\$ 40	\$ 320
George Brouillette	-	240
John LeJeune	-	120
Ward Bellard, M.D.	40	440
Paul Matte	-	440
Chad Matte	400	400
Myra Lewis	400	160
Francis Mouille	40	280
Frank Cormier	360	-
Claire Jackson	280	-
Dallas Matte	360	-
Marcelo Polanco, M.D.	200	-
Michael Williams, M.D.	160	-

The schedule of compensation paid to the Board of Commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature. In accordance with Louisiana Revised Statute 46:1053(C)(2)(a), the Hospital Service District's Board Members receive \$40 for each day of attendance at meetings of the commission, not to exceed twelve meetings per year.



BROUSSARD, POCHÉ, LEWIS & BREAUX, L.L.P.

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Kenneth R. Dugas, CPA*
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Craig C. Babineaux, CPA*
Peter C. Borrello, CPA*
George J. Trappey III, CPA*
S. Scott Soileau, CPA*
Patrick D. McCarthy, CPA*
Martha B. Wyatt, CPA*
Troy J. Breaux, CPA*
Fayette T. Dupré, CPA*
Mary A. Castille, CPA*
Joey L. Breaux, CPA*
Terrel P. Dressel, CPA*
Craig J. Viator, CPA*

Retired:

Sidney L. Broussard, CPA* 1980
Leon K. Poché, CPA 1984
James H. Breaux, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Larry G. Broussard, CPA* 1996
Lawrence A. Cramer, CPA* 1999
Ralph Friend, CPA* 2002
Eugene C. Gilder, CPA* 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Acadia-St. Landry Hospital Service District
Church Point, Louisiana

We have audited the basic financial statements of the Acadia-St. Landry Hospital Service District as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated December 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Acadia-St. Landry Hospital Service District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2005-1 and 2005-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Acadia-St. Landry Hospital Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Acadia-St. Landry Hospital Service District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-3 and 2005-4.

To the Board of Commissioners
Acadia-St. Landry Hospital Service District

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider 2005-3 to be a material weakness.

This report is intended solely for the information and use of the Acadia-St. Landry Hospital Service District's management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Broussard, Roche, Lewis & Breaux, L.L.P.

Crowley, Louisiana
December 5, 2005

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

We have audited the basic financial statements of Acadia-St. Landry Hospital Service District as of and for the year ended June 30, 2005, and have issued our report thereon dated December 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the basic financial statements as of June 30, 2005, resulted in an unqualified opinion.

Section I. Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☒ Yes ☐ No Reportable Conditions ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☒ Yes ☐ No

Management Report

☐ Yes ☒ No

b. Federal Awards

The Hospital Service District does not have any federal awards.

Section II. Financial Statement Findings

2005-1 - Fixed Asset Management System

Finding: We noted during the course of the audit that the Hospital Service District did not completely implement a proper fixed asset recordkeeping process as required by R.S. 24:515(B)(1).

Cause: A numbered tag system is not completely in place for fixed assets.

Recommendation: The Hospital Service District must complete its numbered tag system to keep track of where fixed assets are located in the facility in order to have a proper fixed asset record keeping process as required by R.S. 24:515(B)(1).

Response: The Hospital Service District has started a numbered tag system in order to keep track of the Hospital's fixed asset inventory. The Hospital hopes to complete this process by the end of next year's audit.

Questioned Costs: \$ -0-

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2005

Section II. Financial Statement Findings (continued)

2005-2 – Securities Pledged

Finding: During the course of the audit, it was discovered that collateral pledged by the Hospital Service District's Fiscal Agent, did not follow R.S. 39:1225. R.S. 39:1225 provides that the depositing authority maintain "...security.... At all times... equal to one hundred percent (100%) of the amount on deposit..." At December 31, 2004, the Fiscal Agent's pledged securities were inadequate by approximately \$45,000.

Cause: Oversight

Recommendation: The Hospital Service District should periodically ensure that adequate collateral is pledged by the Fiscal Agent on deposited monies.

Response: The Hospital Service District will periodically check to ensure that the District's Fiscal Agent is adequately collateralizing amounts held for deposit.

Questioned Costs: \$ -0-

2005-3 – Bank Reconciliation Internal Control

Finding: During the course of the audit, it was noted that the bank reconciliation was not being reconciled to the general ledger. We also noted that the Chief Financial Officer co-signs checks, reconciles the bank accounts and has access to other Hospital accounting records. In effect, the Chief Financial Officer has access to cash and reconciles bank statements, a condition which could be exploited by anyone intent on misappropriating the Hospital Service District's funds. Without the involvement of some other person to afford a cross check of the bank reconciliation and the bank statements, manipulations or errors could be perpetrated easily and could be difficult to detect.

Cause: Inadequate reconciliation procedures to detect differences between the bank statement and the general ledger and inadequate internal controls over the reconciliation process.

Recommendation: If bank reconciliations are to serve as an effective control over cash accounts, the development and implementation of a timely reconciliation process of the bank statements to the general ledger must be done on a timely basis, and all reconciling items should be investigated and corrected appropriately. Also, at a minimum, an individual with no other cash accounting duties should examine the bank statements and bank reconciliations.

Response: A reconciliation process of the bank statements to the general ledger will be developed and done on a monthly basis, and an individual with no other cash accounting duties will examine the bank statements and bank reconciliations.

Questioned Costs: \$ -0-

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2005

Section II. Financial Statement Findings (continued)

2005-4 – Inventory Counts

Finding: During the course of our audit, we noted that the Hospital Service District's inventory listing was incomplete and contained several pricing errors. In addition, the inventory listing had not been reviewed by the department head for completeness and accuracy before being forwarded to the accounting department. It was also noted that certain departments did not do inventory counts within a reasonable time period after year-end.

Cause: Inadequate inventory recordkeeping and counts.

Recommendation: Department heads should review inventory listing for completeness and accuracy, and document that this review was performed. Department heads should also ensure that inventory counts are done as close to year-end as possible.

Response: The Hospital Service District will ensure that inventory counts are done by each department accurately and in a timely manner.

Questioned Costs: \$ -0-

Section III. Federal Award Finding and Questioned Costs

The Hospital Service District does not have any federal awards.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2005

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT

Section I. Internal Control and Compliance Material to the Financial Statements

2004-1 – Fixed Asset Management System

Finding: We noted during the course of the audit that the Hospital Service District did not implement a proper fixed asset recordkeeping process as required by R.S. 24:515(B)(1).

Recommendation: The Hospital Service District must improve on the fixed asset recordkeeping as required by R.S. 24:515(B)(1). This can be accomplished by implementing a threshold for capitalization of fixed assets and starting a numbered tag system to keep track of where fixed assets are located in the facility.

Current Status: PARTIALLY RESOLVED - The Hospital Service District will implement a threshold for capitalization of fixed assets and is in the process of implementing a numbered tag system in order to keep track of the Hospital's fixed asset inventory.

2004-2 – Deposits

Finding: During the course of the audit, it was discovered that a deposit for the clinic, in the amount of \$292, could not be located. It was also noted that an ad valorem tax check in the amount of \$9,573, was not deposited in a timely manner.

Recommendation: The Hospital Service District needs to improve its internal control process over the safeguarding of receipts and deposits. The internal controls associated with the transfer of the clinic daily receipts to the business office should include a signature process whereby an employee of both the clinic and the business verify that the clinic daily receipts were received by the business office for the specified amount. Also, internal controls over checks received through the mail, for various payments, and clinic daily receipts should be deposited in a timely manner.

Current Status: RESOLVED – The Hospital Service District has improved the internal control over the safeguarding of receipts and deposits. Effective August 31, 2004, the clinic operations were ceased, thus eliminating daily receipts from the clinic. However, a process has been implemented for any future receipts that would be collected from outside of the business office. The Hospital Service District has also implemented internal controls in which checks received through the mail for various payments, are deposited in a timely manner.

2004-3 – Approval of Accounts Receivable Discounts

Finding: During the course of the audit, we noted that some accounts receivable discounts written-off did not have proper authorization by the appropriate level of management.

Recommendation: We recommend that accounts receivable discounts be approved by the appropriate level of management on a monthly basis to ensure that only approved amounts are written-off.

Current Status: RESOLVED - The Hospital Service District has implemented a process whereby all discounts are properly approved by management to be written-off.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

Year Ended June 30, 2005

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT

Section I. Internal Control and Compliance Material to the Financial Statements (continued)

2004-4 – Employee Loan

Finding: During the course of our audit, we noted that the Hospital Service District paid COBRA benefits for a newly hired employee in the amount of \$3,452 which is being repaid by this employee through employee deductions. Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person.

Recommendation: The Hospital Service District must comply with Article VII, Section 14 of the 1974 Louisiana Constitution. The Hospital Service District cannot loan or advance money to any employee for any reason. The District must request repayment of the loan as soon as possible.

Current Status: RESOLVED - The Hospital Service District has complied with Article VII, Section 14 of the 1974 Louisiana Constitution by requesting that the employee repay the loan, which has been repaid in full.

2004-5 – Medical Office Building Lease

Finding: The Hospital Service District has a lease for the Medical Office Building, with a physician, which includes an adjustment provision to the original lease payment effective October 1, 1997, and annually thereafter. It has been discovered that the District has not billed the physician in accordance with the adjustment provision in the lease from October 1997 to September 2004, which amounted to \$8,197. The District has always billed and the physician has always paid the original lease payment amount.

Recommendation: The Hospital Service District should seek legal counsel as to its rights under provisions of the lease in order to collect in accordance with the lease agreement.

Current Status: RESOLVED - The Hospital Service District has sought legal council on this issue and the matter has been resolved.

2004-6 – Medicaid Community Care Monthly Fee, Clinic Office Supplies and Clinic Insurance Payment

Finding: The Hospital Service District began receiving Medicaid Community Care monthly fee payments for patients assigned to the clinic for dates of service March 2003 to May 2003. Effective June 2003, the Department of Health and Hospitals (DHH) changed the payee from the Hospital Service District to the employed clinic physician due to the fact that there was a discontinuance of the Clinic group provider number to a single individual provider number. From June 2003 to August 2004, it is our understanding that the employed physician received all Medicaid Community Care monthly fee payments that were associated with the clinic. In accordance with the employed physician contract, "Physician agrees to assign to Hospital his right to bill for his services for or on behalf of Hospital and to endorse to Hospital all checks received by Physician in connection with his professional services." The total amount of these payments from June 2003 to August 2004 could not be obtained during the course of the audit because the District was not granted a release of this information from the employed physician. Therefore, only an estimate of the Medicaid Community Care monthly fee payments could be done. The District has estimated these payments to be \$2,700 per month for a total of \$40,500 for the period June 2003 to August 2004.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
Year Ended June 30, 2005

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT

Section I. Internal Control and Compliance Material to the Financial Statements (continued)

2004-6 – Medicaid Community Care Monthly Fee, Clinic Office Supplies and Clinic Insurance Payment (continued)

Effective September 2004, the employed clinic physician left the employment of the District to open a private practice. During the course of the audit, it was discovered that office supplies (patient file folders, dividers and labels) purchased by the Hospital Service District, for the clinic office, could not be located in the clinic. The District has estimated the cost of these office supplies by accumulating the purchases of these supplies from November 2003 to August 2004, which totals \$1,491.

It was also identified during the course of the audit that there was one payment in the amount of \$30.28 from an insurance company for a clinic patient bill that was paid directly to the employed physician. This payment has not been remitted to the District to satisfy this patient's bill.

Recommendation: The Hospital Service District should seek legal counsel as to actions that might be taken in reference to the Medicaid Community Care monthly fee payments. The District should also account for the missing office supplies and an attempt should be made to recover the office supplies or the cost thereof. Controls should be implemented to prevent the likelihood of a reoccurrence in the future. The District should also resolve the unpaid amount on the clinic patient bill with the employed physician.

Current Status: NOT RESOLVED – The Hospital Service District sought legal counsel on this matter and is currently involved in litigation.

2004-7 – Report Filing

Finding: The financial report for the year ending June 30, 2004, was not filed with the Legislative Auditor's office within six months after the close of the fiscal year as required by law.

Recommendation: In the future, the Hospital Service District should submit the audit report within six months after the close of the fiscal year end.

Current Status: RESOLVED – The Hospital Service District's June 30, 2005 report has been filed with the Legislative Auditor's office within six months after the close of the fiscal year as required by law.

Section II. Internal Control and Compliance Material to Federal Awards

The prior year's report did not include any federal awards.

Section III. Management Letter

The prior year's report did not include a management letter.

ACADIA-ST. LANDRY HOSPITAL

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(318) 684-5435
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MANAGEMENTS CORRECTIVE ACTION PLAN

Year Ended June 30, 2005

Section I. Internal Control and Compliance Material to the Financial Statements

2005-1 – Fixed Asset Management System

Finding: We noted during the course of the audit that the Hospital Service District did not completely implement a proper fixed asset recordkeeping process as required by R.S. 24:515(B)(1).

Recommendation: The Hospital Service District must complete its numbered tag system to keep track of where fixed assets are located in the facility in order to have a proper fixed asset record keeping process as required by R.S. 24:515(B)(1).

Response: The Hospital Service District has started a numbered tag system in order to keep track of the Hospital's fixed asset inventory. The Hospital hopes to complete this process by the end of next year's audit.

Responsible party: Steve Leger, Maintenance

2005-2 – Securities Pledged

Finding: During the course of the audit, it was discovered that collateral pledged by the Hospital Service District's Fiscal Agent, did not follow R.S. 39:1225. R.S. 39:1225 provides that the depositing authority maintain "...security.... At all times... equal to one hundred percent (100%) of the amount on deposit..." At December 31, 2004, the Fiscal Agent's pledged securities were inadequate by approximately \$45,000.

Recommendation: The Hospital Service District should periodically ensure that adequate collateral is pledged by the Fiscal Agent on deposited monies.

Response: The Hospital Service District will periodically check to ensure that the District's Fiscal Agent is adequately collateralizing amounts held for deposit.

Responsible party: Judy Young, Chief Financial Officer

2005-3 – Bank Reconciliation Internal Control

Finding: During the course of the audit, it was noted that the bank reconciliation was not being reconciled to the general ledger. We also noted that the Chief Financial Officer co-signs checks, reconciles the bank accounts and has access to other Hospital accounting records. In effect, the Chief Financial Officer has access to cash and reconciles bank statements, a condition which could be exploited by anyone intent on misappropriating the Hospital Service District's funds. Without the involvement of some other person to afford a cross check of the bank reconciliation and the bank statements, manipulations or errors could be perpetrated easily and could be difficult to detect.

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810 SOUTH BROADWAY

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MANAGEMENTS CORRECTIVE ACTION PLAN

Year Ended June 30, 2005
(Continued)

2005-3 – Bank Reconciliation Internal Control (continued)

Recommendation: If bank reconciliations are to serve as an effective control over cash accounts, the development and implementation of a timely reconciliation process of the bank statements to the general ledger must be done on a timely basis, and all reconciling items should be investigated and corrected appropriately. Also, at a minimum, an individual with no other cash accounting duties should examine the bank statements and bank reconciliations.

Response: A reconciliation process of the bank statements to the general ledger will be developed and done on a monthly basis, and an individual with no other cash accounting duties will examine the bank statements and bank reconciliations.

Responsible party: Judy Young, Chief Financial Officer

2005-4 – Inventory Counts

Finding: During the course of our audit, we noted that the Hospital Service District's inventory listing was incomplete and contained several pricing errors. In addition, the inventory listing had not been reviewed by the department head for completeness and accuracy before being forwarded to the accounting department. It was also noted that certain departments did not do inventory counts within a reasonable time period after year-end.

Recommendation: Department heads should review inventory listing for completeness and accuracy, and document that this review was performed. Department heads should also ensure that inventory counts are done as close to year-end as possible.

Response: The Hospital Service District will ensure that inventory counts are done by each department accurately and in a timely manner.

Responsible party: Judy Young, Chief Financial Officer

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT